

## Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 L-03 SS-15

NSC-05 PA-01 USIA-06 PRS-01 /096 W

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R 081750Z OCT 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9711

INFO ALL EC CAPITALS 1169

AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: PFOR, EAID, EAGR, EEC, EG

SUBJECT: EC FOREIGN MINISTERS COUNCIL OCTOBER 6-7: LONG-TERM

FOOD SUPPLY CONTRACTS FOR EGYPT

REF: USEC 8801, 8256

1. SUMMARY: AT THEIR COUNCIL SESSION IN LUXEMBOURG ON OCTOBER 6-7, THE EC FOREIGN MINISTERS CONSIDERED FURTHER THE QUESTION OF LONG-TERM FOOD SUPPLY CONTRACTS FOR EGYPT. A NUMBER OF MEMBER STATES, IN PARTICULAR THE BRITISH AND GERMAN DELEGATIONS, OBJECTED TO THE COMMISSION'S PROPOSAL (SEE REFTELS). FOREMOST AMONG THESE OBJECTITONS WAS THAT SUCH LONG-TERM CONTRACTS COULD HAVE ADVERSE EFFECTS ON EUROPEAN CONSUMERS AND COULD BE A PRECEDENT FOR SIMILAR DEALS COVERING INDUSTRIAL PRODUCTS. NO DECISIONS WERE REACHED ON THE LONG-TERM CONTRACT QUESTION WHICH WILL NEXT BE CONSIDERED BY THE EC AGRICULTURE MINISTERS ON OCTOBER 13 AND 14.

THE FOREIGN MINISTERS ARE RESOLVED TO KEEP FIRM CONTROL OF THE DOSSIER WHILE SEEKING THE "TECHNICAL" ADVICE OF THEIR AGRICULTURAL COLLEAGUES AND ARE THEMSELVES

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EXPECTED TO CONSIDER THE MATTER FURTHER AT THE NEXT

FOREIGN MINISTERS COUNCIL ON NOVEMBER 5-6. END SUMMARY.

2. AT THE EC FOREIGN MINISTERS COUNCIL IN LUXEMBOURG ON OCTOBER 6 THE FOREIGN MINISTERS AGAIN CONSIDERED THE QUESTION OF LONG-TERM (THREE-YEAR) FOOD SUPPLY CONTRACTS FOR EGYPT, ON THE BASIS OF A "PROPOSAL" MADE BY THE EC COMMISSION. (IN FACT, THE COMMISSION HAS ALREADY NEGOTIATED, WITHOUT A MANDATE FROM THE COUNCIL, THE FAIRLY SPECIFIC OUTLINES OF AN AGREEMENT AND WAS ASKING FOR COUNCIL APPROVAL.) A NUMBER OF OBJECTIONS EMERGED, IN PARTICULAR FROM THE BRITISH AND GERMAN DELEGATIONS. THE BRITISH SAID THERE WAS A DANGER IN CONCLUDING SUCH A DEAL BECAUSE IT MIGHT BECOME A PRECEDENT FOR SIMILAR AGREEMENTS REGARDING INDUSTRIAL PRODUCTS. (THIS WAS CATEGORICALLY DENIED BY EC COMMISSION PRESIDENT ORTOLI AT A PRESS CONFERENCE FOLLOWING THE COUNCIL SESSION). THE BRITISH FURTHER SAID THAT NO MULTI-ANNUAL CONTRACTS SHOULD BE ENTERED INTO BY THE COMMUNITY AT LEVELS BELOW COMMUNITY PRICES, AND STRESSED THAT THE LEGITIMATE INTERESTS OF COMMUNITY CONSUMERS MUST BE TAKEN FULLY INTO ACCOUNT. WITH SPECIFIC REFERENCE TO THE COMMISSION'S PROPOSAL, HATTERSLEY, THE BRITISH REPRESENTATIVE, SAID THAT THE ROLE OF THE PRIVATE SECTOR IN CONNECTION WITH SUCH AN AGREEMENT NEEDED TO BE CLARIFIED.

3. FRG STATE SECRETARY WISCHNEWSKI, EMPHASIZING THAT WHILE GERMANY "HAD NOTHING AGAINST EGYPT," NOTED A NUMBER OF PROBLEMS WHICH HE SAID "NEEDED TO BE CLARIFIED" BEFORE THE GERMANS COULD AGREE TO THE COMMISSION PROPOSAL:

A. ANY SUCH AGREEMENT SHOULD SPECIFY QUANTITIES BUT NOT PRICES.

B. THE QUANTITIES COMMITTED FOR SHIPMENT SHOULD

BE FROM THE SURPLUS PREDICTED FOR THE NEXT THREE YEARS.

C. THE PRIVATE TRADE SHOULD PLAY A FULL ROLE IN THE DEAL WITH AN EQUAL CHANCE FOR ALL COMMUNITY TRADERS TO PARTICIPATE.

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D. THE ECONOMIC AND MONETARY RISKS ATTACHED TO THE AGREEMENT SHOULD BE BORNE PRIVATELY AND SHOULD NOT BE TRANSFERRED TO THE EC.

E. IN ORDER TO AVOID CONFLICT WITH OTHER LARGE AGRICULTURAL COUNTRIES (HE SPECIFICALLY MENTIONED THE US AND CANADA), THERE SHOULD BE ADEQUATE CONSULTATION PRIOR TO THE SIGNING OF ANY SUCH AGREEMENT.

F. IT SHOULD BE CLEAR TO ALL CONCERNED THAT SUCH LONG-TERM AGREEMENT WOULD NOT CONSTITUTE A PRECEDENT AND THAT ANY AGREEMENT WITH EGYPT SHOULD BE VIEWED AS AN ELEMENT OF THE COMMUNITY'S POLITICAL AND NOT AGRICULTURAL POLICY.

G. DELIVERIES UNDER SUCH AN AGREEMENT SHOULD BE MADE THROUGH NORMAL CHANNELS AND MUST NOT INCLUDE ANY FOOD AID.

4. COUNCIL AND PERM DEL SOURCES INDICATE THAT THE DANISH DELEGATION SIGNIFIED ITS AGREEMENT WITH THE GERMAN STATEMENT, WHILE THE DUTCH AND FRENCH DELEGATIONS WERE INCLINED TO FAVOR THE COMMISSION PROPOSALS.

5. OUR SOURCES INDICATED THAT THERE WAS SOME CONCERN ON THE PART OF SEVERAL DELEGATIONS, IN PARTICULAR THE BELGIANS, THAT THE COMMISSION HAD GONE TOO FAR BY PROPOSING AND IN FACT BEGINNING DISCUSSIONS ON THE OUTLINES OF SUCH A "PRECEDENT-SHATTERING" AGREEMENT WITHOUT PRIOR COUNCIL APPROVAL. SPEAKING WITH A MISSION OFFICER FOLLOWING THE COUNCIL SESSION, UK STATE SECRETARY HATTERSLEY MADE A SIMILAR COMMENT. WR ARE NOT CERTAIN, HOWEVER, THAT THESE CONCERNS WERE IN FACT VOICED BY THE MEMBER STATES DURING THE COUNCIL SESSION.

6. THE FOREIGN MINISTERS HAVE DECIDED TO KEEP THE QUESTION OF SUCH LONG-TERM CONTRACTS FIRMLY UNDER THEIR OWN CONTROL, ALTHOUGH THEY HAVE AGREED TO CONTINUE TO SEEK THE TECHNICAL ADVICE OF THE AGRICULTURE MINISTERS. THE MATTER IS EXPECTED TO COME UP AT THE NEXT AGRICULTURAL MINISTERS MEETING ON OCTOBER 13-14 AND ON NOVEMBER 5-6 AT THE NEXT FOREIGN MINISTERS COUNCIL.

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